

By email

Secretary of State for Environment,  
Food & Rural Affairs

24 February 2023

Dear Secretary of State,

## **Yorkshire Water – draft water resources management plan 2024 consultation response**

Long term water resources planning is a key business planning activity and essential for the efficient delivery of resilient water services for customers and protecting and enhancing the water environment. Ofwat has a key role to play in enabling this by funding through the 2024 price review (PR24). Therefore, it is vitally important that we consider whether water companies are identifying the best value approaches and delivering these, to ensure the best outcomes in terms of targeted investment to address challenges. The water resource management planning process is essential to helping Ofwat and water companies get this right. As a statutory consultee, we welcome the opportunity to comment on Yorkshire Water's draft water resource management plan (WRMP), which it published in November 2022. This letter provides a summary of our assessment of Yorkshire Water's draft WRMP and should be read alongside our letter setting out the wider context of our review and the general approach to the assessment of companies' draft WRMPs.

Yorkshire Water supplies water to a population of approximately 5.4 million across the north of England. Its water resources are planned on the basis of two water resources zones. These supply major cities including York, Sheffield and Hull. Yorkshire Water has identified key challenges in its water resource forecasts that require action to reduce demand or provide additional supplies.

Overall, there are some areas of Yorkshire Water's plan that are in line with our expectations for this stage of a draft WRMP. In particular, it delivers on expectations by:

- using methods and data appropriate to the scale and complexity of the problem that it needs to address and has recognising the different problems across its area;
- undertaking stakeholder and customer engagement to inform the draft WRMP, including a research project to define customer and stakeholder opinions on the options that may form part of its best value plan.

However, there are several material areas we have identified from our assessment where the plan does not yet provide sufficient and convincing evidence that it delivers the best value,

low regret plan in the interest of customers and the environment. The annex to this letter provides detail on the specific areas of the company plan that we consider need further work and evidence. In particular, in its final WRMP Yorkshire Water should:

- demonstrate that a wide range of options have been fully considered, including appropriate supply and demand options covering a range of option sizes and with different lead in times. Given the current complexity and scale of the planning problem in the draft WRMP, we expect the final plan to provide a wider range of options and more detail of how the scale of options is appropriate for the need in each water resource zone (WRZ). In particular:
  - consider and test different options to achieve 50% leakage reduction target;
  - consider alternative delivery profiles and blends of meter technologies to provide sufficient and convincing evidence that its metering strategy is optimal over the long-term;
- provide sufficient and convincing evidence that the preferred options have been assessed against feasible options using cost data that is reliable, efficient and appropriately allocated;
- clearly explain the assumptions and methods applied to the cost calculations to demonstrate that feasible options are not excluded from selection due to artificially high estimated costs;
- provide evidence explaining why policy/decision making constraints have been imposed on its decision making process. This should explain why constraints are appropriate and in the interests of customers and the environment.
- provide robust and clear supporting evidence for its data tables. We are concerned about the accuracy applied to the WRMP data tables, with missing, incomplete, and resubmitted data. This limited our ability to assess the draft plan and raised concerns about Yorkshire Water's ability to finalise the plan with accurate information.

We thank Yorkshire Water for its hard work and effort in producing a detailed draft WRMP, and responding to queries throughout the consultation process. Yorkshire Water should now focus on delivering the expected outcomes of the current plan (WRMP19 funded via PR19) and consider all the responses to this draft consultation in its final plan. We look forward to continuing to work together as final WRMPs are prepared, to protect water resources now and in the future.

Yours sincerely



**Aileen Armstrong**  
**Senior Director, Company performance and price reviews**

## Annex

In this annex we outline further details on the points raised in our main letter alongside more detailed comments on different areas of the draft plan. Our points reflect our assessment approach and focus on:

- **Demand management ambition and outcomes** - alignment with government targets and statutory requirements for water demand.
- **Assessment of water needs** - including key drivers for WRMP24 and the supply demand balance forecast and the need for enhancement investment.
- **Options to meet water needs** - the approach taken to identifying and screening options for both supply and demand, review of demand management and supply side proposals including sensitivity testing for key areas, sufficiency of options and option utilisation under normal and peak scenarios, including scalability and modularity.
- **Decision making and prioritisation** - best value decision making for customers and the environment, how the company has approached strategic planning frameworks and alignment with Ofwat's long-term delivery strategies and common reference scenarios<sup>1</sup>.
- **Long term best value programme** - cost efficiency, bill impact and affordability of the plan.
- **Customer and stakeholder engagement** - the type and quality of interaction with customers and stakeholders and the impact this has had on the draft plan formulation and proposals.
- **Board assurance** - company assurance and governance processes, including Board engagement and sign-off.

## Demand management ambition and outcomes

The Government's strategic priorities for Ofwat states that reducing demand for water can relieve pressures on water supply and increase our resilience to extreme drought. Water companies must act to reduce demand for water in a way that represents value for money in the long-term. We expect all companies to use their WRMPs to show how they will meet long term water demand targets including:

- a 50% reduction in leakage by 2050 from 2017-18 levels<sup>2</sup>;

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<sup>1</sup> Ofwat, [PR24 and beyond: Final guidance on long-term delivery strategies](#), April 2022

<sup>2</sup> Defra, the government's strategic priorities for Ofwat, March 2022; Water UK, "Letter to the Secretary of State - leakage", October 2018; Water Resources Planning Guidelines, 2022

Aileen Armstrong, Senior Director for Company performance and price reviews

- reducing per capita consumption (PCC) to 110 litres per head per day (l/h/d) by 2050<sup>3</sup>.

A further target is now set in the Environmental Targets (Water) (England) Regulations 2023<sup>4</sup> for the reduction of potable water supplied by water undertakers in England to people in England. This is that the volume supplied per day per head of population is at least 20% lower than the 2019–20 baseline by 31 March 2038. We expect companies to demonstrate how they will deliver against this target in their final WRMP.

We welcome that Yorkshire Water has set out its plans to reduce leakage by 50% from 2017–18 levels by 2050. However, it is only proposing a three-year average leakage reduction of a further 6.7% across the 2025–30 period which is a lower level than the 15.0% it is delivering for the 2020–25 period. We expect the company to provide sufficient and convincing evidence of long-term target and ambition testing, an explanation of its decision-making process and a justification for the selected leakage reduction in its final WRMP. We also welcome that Yorkshire Water has set out its plans to meet the per capita consumption (PCC) target of 110 l/h/d by 2050.

The company's final WRMP should also reference the target to reduce distribution input by 20% by 2037–38 and demonstrate how it plans to deliver this through a combination of reductions in the key demand components of leakage, household consumption and non-household consumption.

### **Demand reduction strategy**

As we outlined in November 2021, we expect near-term interventions identified in WRMPs to deliver long-term targets (eg 50% leakage reduction and 110 l/h/d PCC) to be set in the context of the optimum long-term strategy. Setting a glidepath to meet long-term targets and outcomes should enable an efficient and deliverable long-term programme to be identified. Yorkshire Water's plan only considers a linear leakage reduction profile for achieving the 50% leakage reduction by 2049–50. The company has not considered alternative investment profiles such as one that considers non-linear reductions. The company should provide sufficient and convincing evidence to justify why a linear profile – rather than doing more or less in the near term – is optimal from a timing of investment perspective.

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<sup>3</sup> Defra, the government strategic priorities for Ofwat, March 2022; Environment Agency, "Meeting our future needs: a national framework for water resources, March 2020

<sup>4</sup> Defra, [Environment Act](#) 2021: environmental targets December 2021

We are concerned that the unit costs assumed for demand-side feasible options are an order of magnitude higher than the industry median. The data provided suggests that the 'house water audit' feasible options have an average unit cost of 4,712 p/m<sup>3</sup>, and 'other water efficiency' feasible options have an average unit cost of 1,254 p/m<sup>3</sup>. These are not credible unit costs. The company should provide sufficient and convincing evidence that the preferred options have been assessed against feasible options using cost data that are reliable, efficient and appropriately allocated in its final plan.

### **Delivery of PR19 performance commitments and WRMP19 targets**

We welcome that the company is planning to meet its PR19 performance commitment levels for leakage by 2024-25. However, we are concerned that based on the draft WRMP data tables the company does not forecast to deliver its PR19 performance commitment levels for PCC by 2024-25. The company has confirmed that it will be unable to meet PR19 performance commitment levels for PCC. It has also stated that it may revise its PCC performance forecasts as part of its revised draft WRMP24.

We expect the company to deliver its PR19 and WRMP19 targets. Companies should not expect additional customer funding to address deficits resulting from under delivery in the current or previous periods. We expect the company to review its proposals in these areas for its final WRMP.

### **Business demand**

We are concerned that Yorkshire Water has not set out a strategy to reduce non-household water consumption. We have previously highlighted the opportunity for companies to deliver non-household demand reductions, and our expectations that WRMPs will deliver significantly improved levels of water efficiency in the business sector<sup>5</sup>. We expect the company to clearly set out an ambitious strategy for non-household demand reduction in its final WRMP. The company should clearly explain how it has assessed the option of increased smart metering levels for business customers and how its metering plans for business customers aligns with its overall metering strategy.

### **Per capita consumption (PPC)**

The data provided by the company to date indicates that it is proposing a three-year average PCC reduction over the 2025-30 period that will deliver a level of PCC 5.6% below the 2019-20 baseline by 2029-30. This represents a further reduction of 3.3% beyond the company's 2024-

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<sup>5</sup> Ofwat, Environment Agency, 'Delivering greater water efficiency in the business sector', March 2020 and 'Delivering greater water efficiency in the business sector', February 2021.

25 performance commitment level of 8.9%. As the company further develops its forecast PCC performance trend from draft WRMP to final WRMP, it should include the reasons for any changes and explain the impact of any revisions on the optimisation and best value option selection in its preferred plan. We expect the company to provide sufficient and convincing evidence in its final WRMP to justify why its selected targets for demand reduction represent the best value approach to meeting a supply-demand balance or delivering long-term strategic outcomes.

## Leakage

We are concerned that Yorkshire Water has looked at a narrow set of demand management options. On leakage, the company has only appraised six options. These options reflect different levels of leakage reduction targets (e.g. 20%, 30%, 50%) rather than different ways of achieving the same target. The company also did not consider targets larger than 50%. The company has therefore provided insufficient evidence that its leakage strategy is best value. We expect the company to consider and test different options to achieve a 50% leakage reduction target in its final plan.

Although the company presents the costs and benefits of each leakage reduction option, it does not present the costs and benefits of the various leakage activities included within each option. For the 50% leakage reduction option, which is selected as the preferred approach, the company lists more than 20 activities which are covered by it including mains renewals, smart metering and pressure management. However, the company does not present the costs and benefits of each of these activities. Therefore, we are not clear how the company has optimised its leakage programme based on the evidence provided. To demonstrate how the company optimises its leakage strategy, disaggregated costs and benefits for each activity included in the leakage options considered, should be presented in the final WRMP.

Yorkshire Water sets out its customer supply pipe policy to reduce leakage. This includes free supply pipe investigation and repairs/renewals, raising customer awareness about supply pipe ownership and giving customers options to manage their responsibility for supply pipes. We welcome that the company is proactively engaging and partnering with water technology companies to trial more effective ways of promoting a more efficient use of water. We are encouraging companies to evaluate the benefits of a common industry approach to addressing leakage on customers' own pipes. We expect companies to provide a view on the benefits of a common industry approach in their statements of response and final WRMPs. We will support companies in the development of a common approach but expect the industry to

lead on the development. The Water UK leakage routemap to 2050 committed to an informed debate on customer supply pipe strategy by December 2022<sup>6</sup>.

## Metering

Yorkshire Water has forecast meter penetration to increase from 62% in 2025 to 74% by 2035, and to 80% by 2045. Yorkshire Water is proposing to replace existing automated meter read (AMR) meters with advanced metering infrastructure (AMI) meters. AMI meter penetration is planned to reach 55% by 2035, and 80% by 2045.

Although the company sets out its plans to adopt smart AMI metering, it has not considered a wide range of options. The plan considers just three options: enhanced metering for domestic optants, metering on change of occupancy and smart metering. The company proposes to deliver AMI meters over a 15-year period starting from 2025. This is despite the company saying that it is still assessing the business case for using AMI and that a decision on this will be dependent on this being cost beneficial. The company has also not tested different delivery profiles nor alternative blends of meter technologies. We expect the company to consider alternative delivery profiles and blends of meter technologies in its final plan and to provide sufficient and convincing evidence that its metering strategy is optimal over the long-term.

## Assessment of water needs

A robust assessment of current and future water needs is critical as it drives the gap between supply and demand and therefore drives the scale of investment required for the 2025-30 period and beyond.

We provided detailed feedback on Yorkshire Water's assessment of water needs in our pre-consultation feedback in 2022. Some of our feedback has not been appropriately or fully addressed in the draft WRMP, and has been raised again in amongst points in this section. Yorkshire Water should provide sufficient and convincing evidence that the feedback has been addressed in the final WRMP. We have identified areas that require further work, and these are set out below.

The company's supply demand balance starting point for the draft WRMP24 is significantly lower than its forecast for the same point in the final WRMP19. The reduction in available water for 2025-26 is equivalent to 19% of company water demand (distribution input). Although some of the changes are due to supply-demand balance reporting updates, there is

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<sup>6</sup> The Water UK document '[A leakage routemap to 2050](#)' committed to an informed debate on customer supply pipe strategy by December 2022

still insufficient evidence to understand changes in some areas. In some areas, the evidence suggests that non-delivery or underperformance is the cause. This includes not meeting expected WRMP19 PCC levels, increased non-household demand, changes to climate change impacts, and increased outage and process loss allowances. This means that there are significant concerns whether the overall outcome of the WRMP19 as funded at PR19 has been delivered in the round. The company should fully quantify and justify the reasoning for changes between WRMP19 and the starting point for WRMP24 at a supply-demand balance component level with sufficient and convincing evidence.

Yorkshire Water should provide assurance that abstraction reductions are not double counted when licence capping is combined with environmental destination scenarios. The explanation of the timing of abstraction reductions, particularly changes in the short term, should be clear and consistent in the main plan narrative.

Yorkshire Water should include improved understanding of demand following the Covid-19 pandemic. We encourage consideration going forward, through sensitivity analysis, of the combined impact of new hybrid ways of working and dry weather not experienced in recent actual data and the impact this may have on the dry year uplift.

It is important that Yorkshire Water steps up its efforts on WRMP19 delivery and meeting PR19 commitments ahead of WRMP24. We expect the company to make substantial efforts on demand reduction for the rest of the 2020-25 price control period, to ensure that the WRMP19 forecast, and PR19 performance commitment targets are met annually, and to set firm foundations for delivering WRMP24.

## Options to meet water needs

Yorkshire Water faces supply demand deficits, starting at around 100 Ml/d at the start of the planning period, increasing to 400 Ml/d by 2085. The main challenges are climate change, environmental destination and loss of an existing transfer from Severn Trent Water. There is an increased need to identify options to remove future risk as well as resolving short term supply demand deficits up to 2025.

Identifying an appropriate number and range of options to meet water needs is essential to ensure that customers and stakeholders have confidence that the preferred programmes are optimal. We queried how many unique options were included on Yorkshire Water's feasible option list, how much water they could provide and what proportion of expected needs in 2050 these could meet. In its response, Yorkshire Water confirmed it has 37 unique schemes capable of providing an additional 603 Ml/d of water available for use (WAFU). When compared to the forecast deficit of 296 Ml/d in 2050, Yorkshire Water therefore has feasible options that can meet around 203% of its need. Although this represents double the need for Yorkshire Water, we view there being opportunity to explore a greater number and range of

feasible options. This is to ensure the best value assessment has the flexibility to select options which are justifiable as best value options for the preferred plan. The final plan should provide details of how the scale of options is appropriate for the need in each water resource zone.

Yorkshire Water's preferred plan includes 13 options covering a range of option types including new groundwater sources, surface water enhancements, as well as demand options for water efficiency and leakage control. This additional WAFU gained in this preferred plan by 2050 represents approximately 125% of the forecast 2050 deficit.

We note that some option information in the draft WRMP data tables was lacking. For the final WRMP, we expect all options to be worked up to the same level of detail. This will enable the decision-making tool to select an unbiased preferred best value plan from the option portfolio.

Yorkshire Water should provide sufficient and convincing evidence to show that it has robustly tested the sensitivity for the date to meet 1 in 500 year drought resilience. This should include presenting the costs, benefits and impact on the selection of preferred schemes of choosing alternative dates including a test of 2050. The selected date to achieve 1 in 500 year resilience should be justified based on this testing and optimised based on the costs and benefits. This is important as the scale of impact, and importantly the date for achieving it, is a key driver for scheduling schemes in the investment programme. The company currently states that this is a regulatory target it must meet and that customers agree with the target level and date. However, customers have not been provided with any context for this or any data on the alternatives. This point was raised in the pre-consultation meeting and has yet to be appropriately addressed.

Yorkshire Water has not provided sufficient information regarding option utilisation in the draft plan. We expect to see more robust evidence on utilisation in the final WRMP, in line with feedback in our pre-consultation feedback letters, to fully explain and justify the utilisation rates given and to provide evidence that modularity and scalability in optioneering has been fully considered and explored to manage low utilisation situations. Yorkshire Water must provide more evidence in the final plan that operational interventions have been considered and will be implemented where appropriate if this is the best value solution.

## **Decision making and prioritisation**

The draft WRMP demonstrates how the WRMP is informed by the Water Resources North regional plan. The risk-based best value planning approach adopted by Yorkshire Water appears in line with the guidance (Water Resource Planning Guideline and UK Water Industry Research) because the planning problem is characterised as low/medium.

In its best value analysis, the company has considered natural capital and other environmental factors including quantifying the carbon impact. A comparison and justification between the least cost and best value programme has been provided and where investment is needed beyond least cost the value of the additional benefit needs to be presented within the WRMP planning tables with the robustness of this valuation data important for significant areas of investment.

Yorkshire Water should explain why constraints imposed on its decision making process are appropriate and in the interests of customers and the environment. Sensitivity tests have been carried out, however there is no narrative to explain whether the constraints limit the cost benefit or value of the potential programmes. In the final plan, evidence should be provided explaining why policy and decision-making constraints have been included as well as a clear narrative about the sensitivity testing outcomes.

Yorkshire Water has not referred to Ofwat's public value principles. We would like Yorkshire Water to use Ofwat's public value principles, and to reflect expectations set out in the PR24 final methodology, within its best value planning process in its final plan, and to explain how these have been used to inform best value decision making. The robustness of this valuation data is important where companies are requesting significant areas of investment. As well as clearly presenting this, the company should provide sufficient and convincing evidence that the costs to deliver the best value plan is outweighed by the additional value it provides.

Yorkshire Water proposes to invest £29 million interconnecting its network in the 2025-30 period. The company has proposed no benefits in this period for these schemes and this should be clearly explained. Additionally, the company may have schemes where interconnectors are necessary to deliver new supplies to areas where water is needed. In these cases, the schemes should be evaluated by combining the costs of developing the new supply with the interconnector costs as a single option to produce an optimised best value plan. We also reiterate our pre-consultation feedback, which aligns with the WRMP guidelines, that sub zonal schemes (not impacting on zonal WAFU) can be discussed within the narrative of the WRMP to provide context but they need to be presented and justified with sufficient and convincing evidence in PR24 business plans rather than the WRMP. When presenting such enhancement schemes companies should clearly identify how they have assessed the degree of overlap with activities they are funded to deliver through base expenditure.<sup>7</sup> Companies should not expect additional customer funding to address risks resulting from under delivery in the current or previous periods.

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<sup>7</sup> Ofwat, '[Creating tomorrow, together: Our final methodology for PR24 Appendix 9 – Setting expenditure allowances](#)', Annex A1

Yorkshire Water has used adaptive planning in its draft WRMP to better understand and manage uncertainty. Yorkshire Water sets out three alternative pathways that focus on the biggest areas of long-term uncertainty and show what action will be taken in each case. Decision and trigger points are identified for each alternative pathway and the dates are justified with reference to lead times and uncertainties. Yorkshire Water sets out how it will monitor metrics associated with each trigger point, as well as wider risks and uncertainties that may need to feature in future iterations of the plan.

In its final plan, we expect Yorkshire Water to present a core pathway in line with the WRPG definition that includes low-regret investment to meet future uncertainties and additional option value to allow further flexibility in the future. The company presents a core pathway, but it includes the existing transfer from Severn Trent Water, which Yorkshire Water states is unlikely to be retained after 2035. The existing transfer from Severn Trent Water, and other options needed in this more unlikely circumstance, should be presented as an alternative pathway in the final WRMP. This is because we define low-regret investment as that required in all or most plausible futures. Feasible and preferred alternatives options to the transfer from Severn Trent Water should be clearly presented in the final plan.

The forecast supply-demand balance has been tested against each of the common reference scenarios. Yorkshire Water then uses the scenarios that have a 'material impact' to inform decision making and optimisation. However, it is insufficiently clear how scenario testing, in particular the low climate change and low demand scenarios, has been used to identify low-regret investment that is required in all or most plausible futures. This testing should expose what investment should be undertaken regardless of future circumstances and therefore is selected in the core pathway. In its final plan, Yorkshire Water should demonstrate:

- how the common reference scenarios affect the supply demand balance given the solutions in the preferred pathway; and
- whether the optimiser model selects the key core pathway supply options under all or most of the common reference scenarios.

As part of this evidence, Yorkshire Water should clearly set out the impact of the Ofwat common reference scenarios compared to the 'most likely' scenarios on which the preferred plan is based. This should include quantifying the impact on demand of the low and high scenarios for climate change, demand, and abstraction reductions across the planning period. The company should also quantify the estimated impact on the expenditure requirement of:

- 1) planning based on the high scenarios for climate change, demand, and abstraction reductions, and the slower scenario for technology; and
- 2) planning based on the low scenarios for climate change, demand, and abstraction reductions, and the faster scenario for technology.

This will allow for improved understanding of the drivers of investment, the sensitivity of the plan to future scenarios and confidence in the investments being proposed. The company should use the results of this testing to identify and justify with sufficient and convincing evidence low regret investments, rather than just ones that meet both high and low planning needs in a non-adaptive way.

We expect Yorkshire Water to test the Ofwat common reference scenario for low abstraction reductions, which is to 'assume only currently known legal requirements for abstraction reductions up to 2050'. Following the approach agreed between Ofwat, the Environment Agency and the regional water resources planning groups, companies should include agreed water industry national environment plan (WINEP) changes and licence capping, and use the agreed BAU+ scenario to form a long-term view, but use local reviews to remove licence reductions with significant uncertainty, to form a plausible 'extreme low' scenario.

Yorkshire Water identifies some of the assumptions it has made in making forecasts but should be more explicit about what these are in the final plan. The interaction between risk, headroom and adaptive planning should also be explained in more detail. This should include the information provided in response to our queries.

We expect to see a clear line of sight between long-term WRMPs and the requested investment at PR24. Yorkshire Water acknowledges that the PR24 business plan is a mechanism to set out investment needs in order to deliver the outcomes specified in its WRMP. The company states that this WRMP forms part of a larger planning framework including the DWMP, regional plans, the river basin management plan and the drought plan.

## **Long term best value programme**

The company has identified £179 million of enhancement expenditure relating to delivery of its draft WRMP in the 2025–30 period. Over the 2025–50 period the company has identified a requirement for over £1.1 billion of enhancement expenditure.

For this investment, Yorkshire Water plans to deliver 139 Ml/d of supply demand benefits (excluding interconnectors) in 2025–30. We have some concerns about Yorkshire Water's proposed investment to deliver its demand side (water efficiency) improvements at a unit rate cost of 4.5 £m/Ml/d. This is higher than the industry median unit rate cost of 0.7 £m/Ml/d and therefore the company should demonstrate how its costs are efficient.

Yorkshire Water have identified £3 billion of investment over preferred options (based on whole life costs). There are three preferred options that stand out in terms of whole life net present cost, as costs are high when compared to the benefit for these schemes. Of these options, two are surface water options for which unit costs are higher than the industry average across all options, but these options also present higher unit costs when compared

to similar options in the industry. The third is a substantial project, a new groundwater option which has the highest unit cost when compared to other new groundwater options across the industry. Similarly, some of the larger feasible options presented have very high unit costs. Yorkshire Water should provide sufficient evidence costs are efficient and sight any wider reasons for high unit cost options being selected as preferred. These high costs can constrain the scope for choice between options when optimised. Assumptions and methods applied to the cost calculations for both preferred and feasible options should be clearly explained to demonstrate that options are not excluded from selection due to artificially high costs.

Several preferred schemes include upgrades to current assets. Yorkshire Water should provide sufficient and convincing evidence that the additional abstraction will be available from these sources in drought conditions, how its inability to currently fully utilise is not a result of poor maintenance of the sites, and that future base maintenance savings of any upgraded assets at these locations have been accounted for in programme costs.

## **Stakeholder engagement**

Stakeholder and customer engagement has been undertaken to inform Yorkshire Water's draft WRMP, including a research project to analyse customer and stakeholder opinions on the options that may constitute a best value plan. The outcomes from customer and stakeholder engagement were used to develop metrics that were used in best value decision making. Customers were given information on the options that could form the best value plan and were able to express preferences on options, including on investment options and their timing and scale. Retailers' preferences on how to deliver market efficiency to the non-household market were also sought as part of the pre-consultation process and considered in the draft WRMP.

Engagement with neighbouring water companies and the Water Resources North (WReN) regional group has been undertaken and is well described. Yorkshire Water took part in a joint customer research project with Northumbrian Water and Hartlepool Water as well as collaborating with members of WReN to align strategies. The WReN regional plan has been considered in the development of adaptive pathways in the draft WRMP. Effective engagement with regulators has been undertaken and has been used to refine the draft WRMP.

Yorkshire Water did not provide sufficient detail of opportunities identified to enable co-funding or co-delivery. Further investigation of partnership opportunities for co-funding and co-delivery with stakeholders should be undertaken and set out in the final WRMP.

## **Assurance**

A Statement of Assurance from the Board is provided, but is not signed. A supporting statement has been provided setting out how the Board were engaged on the draft plan and confirming that the Board has approved the plan. A detailed description of how the Board and the Board Public Value Committee were updated and consulted is provided, but there is no other information provided of the governance structure or responsibilities for decision-making process. In the final WRMP, Yorkshire Water should provide signed assurance statements, and describe the governance structure and how relevant responsibilities are accounted for in the decision-making process.

In the final plan, we expect to see evidence of assurance on Yorkshire Water's understanding and acceptance of the approach to licence capping. This is to ensure the risk and impact this imposes on Yorkshire Water is fully understood in the context of the largest drivers of future investment in the plan and the uncertainty that still surrounds this.